

[By Bruce Edwards](#)

Vermont banks and credit unions are not likely to follow in the footsteps of Bank of America in hitting up customers for a \$5 a month debit card fee.

Bank of America and two other large banks announced this month that they would levy a monthly fee as a way to make up for lost revenue, blaming last year's Dodd-Frank Wall Street Reform and Consumer Protection Act that cut into the interchange or swipe fees merchants pay for debit card transactions.

Chris D'Elia of the Vermont Bankers Association isn't aware of any Vermont-based banks that are contemplating a similar fee. But D'Elia, the VBA's executive director, said that doesn't mean it couldn't happen in the future.

"I'm sure all of the banks are looking at the cost of providing debit card services and evaluating what, if any, changes need to be made," he said.

D'Elia said the action taken by Bank of America is the direct result of Dodd-Frank.

But Vermont's congressional delegation sees it differently as an end run around the law.

Rep. Peter Welch last week called on U.S. Attorney General Eric Holder to investigate possible antitrust violations by the big banks for colluding to set the new debit card fees. The Vermont Democrat said the fees can't be justified.

"What Bank of America and some of these other banks are saying is because Congress called them out on charging the highest swipe fees in the world, fees that bore no relationship to the cost of the transaction and were not set by market competition but by market power, they say

they're losing money and they've got to pick another pocket," Welch said.

He said banks in the past often made the case that debit cards saved them money by reducing the number and cost of processing paper checks.

But now that banks have hooked consumers on using debit cards, Welch said the large banks want to charge customers for using their own money.

Sen. Bernard Sanders intends on reintroducing legislation that would break up the six largest financial institutions that he said combined have more than \$9 trillion in assets, equivalent to 65 percent of the country's gross domestic product.

Sanders, an independent, called the debit card fees unconscionable. He said even at a reduced fee of 24 cents for each debit card transaction, the banks are still making a tidy profit.

Sanders said what's outrageous is that the very same banks, which were on the verge of collapse three years ago and bailed out by the Congress, are once again bilking consumers.

"I think clearly that is wrong," he said. "I think this is just one more example why we have to break up this concentration of ownership."

The largest Vermont-chartered bank has no intention of levying a debit card fee.

"That's not even remotely on the horizon for us," said Merchants Bank President Michael Tuttle.

Tuttle said the reduction in so-called debit card swipe fees merchants pay applies only to financial institutions with assets that exceed \$10 billion. He said all Vermont-based banks and credit unions fall well under that threshold.

But Tuttle cautioned that there could be a ripple effect in the future with fee income reduced for the smaller institutions as well.

Tuttle said his bank has a cash back debit card that pays customers a half percent on their debit card transactions.

Debit/ATM cards are tied to a checking account.

Merchants Bank ended its free checking for life for new customers after the first quarter of this year. However, existing customers continue to receive free checking.

New retail customers pay \$5 a month for checking, if their average monthly balance falls below \$1,000. For balances that fall below that amount, Tuttle said the \$5 fee is offset when the customer uses their cash-back debit card.

For business customers, Tuttle said the bank continues to offer free checking.

Among the state's largest credit unions, the 31,000-member Heritage Family Credit Union has no plans to introduce a debit card fee.

"I don't anticipate that but on the other hand I would always say if the government puts new regulations that affects our income, we would certainly look at fees as an alternative," said Heritage Family Credit Union President Ron Hance.

Citizens Bank, one of several large regional banks doing business in the state, isn't contemplating a monthly fee either.

However, a spokeswoman said Citizens Bank is making changes to some of its debit card offerings tied to reward programs.

"We have notified our customers participating in debit card rewards programs that these rewards programs are being changed and in some cases discontinued due to recent regulatory changes affecting the way that merchants and banks share the costs of the debit-card system," Brigitte Ritchie, a Citizens Bank spokeswoman in Vermont, said in an email. "While our approach to debit-card rewards programs is changing, debit card functionality itself is not affected. Our customers also can continue to take advantage of our many other reward- and incentive-based programs that fit their individual needs."

Tuttle said Bank of America and other large banks are attempting to entice customers away from debit cards and toward credit cards tied to reward programs that earn points or cash back. He said that's because banks continue to earn higher swipe fees on credit cards transactions, which was not addressed in the Dodd-Frank financial reform law.

Hance of Heritage Family Credit Union said that without question debit cards save money for all parties concerned.

"Everybody that has checks will tell you that the amount of check transactions has gone down dramatically over the last 10 years," he said. "You can directly point to the debit card to the reason why."